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FEDERAL COMMUNICATIONS COMMISSION
U.S. DEPARTMENT OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board)	CC Docket No. 96-45
on Universal Service)	
)	
Forward-Looking Mechanism)	
for High Cost Support for)	CC Docket No. 97-160
Non-Rural LECs)	

PETITION FOR CLARIFICATION AND RECONSIDERATION

SBC Communications Inc., on its behalf and on behalf of its subsidiaries, (collectively referenced as "SBC") files this Petition seeking reconsideration and clarification of the Commission's Fifth Report and Order in the above-referenced proceeding ("Order") on the basis that the Order fails to provide sufficient information with regard to the Commission's adoption of its cost model platform. The synthesized cost platform model adopted by the Commission is to serve as the "framework" for fixed factors, such as assumptions about network design and engineering and other fixed characteristics. The model employs a forward-looking cost proxy which allegedly incorporates the "best elements" of three cost models - Benchmark Cost Proxy Model ("BCPM"), the Hatfield model ("HAI") and the FCC staff's Hybrid Cost Proxy Model ("HCPM"). However, the Commission has failed to produce the data, studies and other information upon which it relied in developing this synthesized cost platform model. Absent this information, the cost platform model developed by the Commission is

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unsupported by the record and the Order must be clarified to include this information to correct this deficiency. In addition, SBC urges the Commission to reconsider its decision to adopt a forward-looking economic cost ("FLEC") proxy model which does not accurately assess the costs associated with incumbent local exchange carriers' ("ILECs") existing networks.¹

I. THE COMMISSION SHOULD CLARIFY THE ORDER TO PROVIDE SUFFICIENT INFORMATION TO ENABLE AFFECTED PARTIES TO ASSESS THE ORDER'S IMPACT.

As noted in the Emergency Motion of GTE for Disclosure of Data and Information to Permit Public Review and Extension of Time ("GTE Motion")² the Order provides insufficient information which would enable an affected party to assess the impact and appropriateness of the Commission's cost model platform. SBC concurs with the position voiced by GTE. In order to evaluate the soundness of the cost model platform, it is necessary for the parties to this proceeding and others who might be affected thereby to have access to the database, algorithms and underlying methodologies relied upon by the Commission. To date, this information has not been made available.

The cost model platform adopted by the Commission is justified on a theoretical basis. However, no numerical data has been produced which would show the costs or the

¹ This Petition in no way effects or modifies SBC's position with relation to its appeal of the Report and Order, In the Matter of Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd. 8776 (1997) ("Universal Service Order").

² This Petition was filed by GTE in the above-captioned proceeding on November 30, 1998. To the best of SBC's knowledge, no oppositions were filed to this Petition. At the time of the preparation of this pleading, the Commission had yet to rule on the GTE Motion. For this reason, SBC has been required to file this Petition without having access to data which could alter the conclusions reached herein.

potential support amounts which would be realized under the cost model platform. Nor are any numerical comparisons cited by the Commission to support its conclusion that the Commission's adopted methodology is superior or otherwise remedies the deficiencies identified with the previously proposed models. For example, SBC previously has demonstrated that geocoding does not accurately identify customer location with the precision necessary for costing purposes.³ This deficiency is particularly true with regard to sparsely populated rural areas where universal funding is most likely to be required.

Without sufficient data, SBC can only speculate as to the reasonableness and effectiveness of the cost model platform which has been adopted. SBC urges the Commission to provide the twenty-three items of information listed by GTE in its Motion as clarification, necessary for affected parties to assess the full impact of this Order and the basis for the Commission's conclusions. Without such data, the record in support of the cost model platform is necessarily deficient.⁴

II. THE COMMISSION SHOULD RECONSIDER ITS ADOPTION OF A FLEC COST MODEL PLATFORM AND, AT A MINIMUM, SHOULD PROVIDE FOR A REASONABLENESS CHECK OF THE RESULTS BY COMPARING THEM TO ACTUAL OR EMBEDDED COSTS.

In this Order the Commission continues to rely upon a FLEC design. SBC has previously voiced its opposition to such models on the basis that, by its very nature, a FLEC model does not accurately reflect the costs associated with the ILEC's existing

³ See, Letter from John Schrottenboer of Southwestern Bell Telephone Company to Magalie Roman Salas, Response to March 24, 1998 Letter Seeking Voluntary Submission of Geocoding Data, dated April 27, 1998.

⁴ The relevance of this information was recognized by the Federal State Joint Board on Universal Service in Paragraph 29 of the Second Recommended Decision, released in this docket on November 23, 1998.

networks and ignores actual costs. Moreover, there exists substantial disparity in the results derived from FLEC models. For example, the Missouri Public Utility Commission in evaluating various FLEC cost models has discovered that the results range from \$17.50 to \$39.20. SBC believes that FLEC costs should accurately reflect embedded costs.

In addition, FLEC model proponents continue to redefine their proposed models in light of discovered deficiencies inherent in the models' concept. While SBC requires the information requested above to conduct a fully informed analysis, it is unlikely that the combining of the "best elements" of these various models has eliminated these deficiencies. Indeed, it is more likely that there are new problems related to the Commission's synthesized cost model platform which, because of the lack of information, cannot yet be identified.

For these reasons, the Commission should reconsider its adoption of a FLEC cost model platform. If the Commission chooses to continue its reliance on FLEC costs, at a minimum, there must be a reasonableness check employed in relation to the model's cost results, not simply the adoption of a synchronized FLEC model. Absent such measures, the FLEC model can be utilized to derive any cost result. Should the Commission insist upon adopting this model, a course of action which SBC opposes, it should provide for a true-up which would compare these results to actual or embedded costs as a reasonableness check.

III. CONCLUSION

The Commission must clarify the Order to include that information sought by the GTE Motion. Absent such crucial data, the impact of the Order cannot be assessed. Moreover, the record as it stands does not support the adoption of a synchronized FLEC cost model platform. SBC continues to oppose the use of forward-looking costs as the basis for any universal service cost model and requests the Commission reconsider its latest application of this approach. Absent its reversal of this method, SBC asks that the Commission apply a reasonableness check in the nature of a true-up which would compare the FLEC results against actual or embedded costs.

Respectfully submitted,

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